**** Bill No. ****

Introduced By *************

By Request of the *********

A Bill for an Act entitled: "An Act generally recodifying the laws exempting certain property from taxation; amending sections 15-6-134, 15-6-138, 15-6-201, 15-6-204, 15-6-205, 15-6-207, 15-6-208, 15-6-220, 15-6-225, 15-7-102, 15-8-111, 15-32-405, 61-3-560, and 61-10-214, MCA."

Be it enacted by the Legislature of the State of Montana:

Section 1. Section 15-6-134, MCA, is amended to read:

"15-6-134. Class four property -- description -- taxable percentage. (1) Class four property includes:

(a) subject to ~~15-6-201(1)(z) and (1)(aa)~~ [section 5] and subsections (1)(f) and (1)(g) of this section, all land, except that specifically included in another class;

(b) subject to ~~15-6-201(1)(z) and (1)(aa)~~ [section 5] and subsections (1)(f) and (1)(g) of this section, all improvements, including trailers, manufactured homes, or mobile homes used as a residence, except those specifically included in another class;

(c) the first $100,000 or less of the taxable market value of any improvement on real property, including trailers, manufactured homes, or mobile homes, and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 7 months a year as the primary residential dwelling of any person whose total income from all sources, including net business income and otherwise tax-exempt income of all types but not including social security income paid directly to a nursing home, is not more than $15,000 for a single person or $20,000 for a married couple or a head of household, as adjusted according to subsection (2)(b)(ii). For the purposes of this subsection (1)(c), net business income is gross income less ordinary operating expenses but before deducting depreciation or depletion allowance, or both.

(d) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of at least nine holes and not less than 700 lineal yards;

(e) subject to ~~15-6-201(1)(z)~~ [section (1)], all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202, including 1 acre of real property beneath improvements on land described in 15-6-133(1)(c). The 1 acre must be valued at market value.

(f) (i) single-family residences, including trailers, manufactured homes, or mobile homes;

(ii) rental multifamily dwelling units;

(iii) appurtenant improvements to the residences or dwelling units, including the parcels of land upon which the residences and dwelling units are located and any leasehold improvements; and

(iv) vacant residential lots; and

(g) (i) commercial buildings and the parcels of land upon which they are situated; and

(ii) vacant commercial lots.

(2) Class four property is taxed as follows:

(a) Except as provided in 15-24-1402, 15-24-1501, and 15-24-1502, property described in subsections (1)(a), (1)(b), (1)(e), (1)(f), and (1)(g) of this section is taxed at:

(i) 3.40% of its taxable market value in tax year 2003;

(ii) 3.3% of its taxable market value in tax year 2004;

(iii) 3.22% of its taxable market value in tax year 2005;

(iv) 3.14% of its taxable market value in tax year 2006;

(v) 3.07% of its taxable market value in tax year 2007; and

(vi) 3.01% of its taxable market value in tax years after 2007.

(b) (i) Property qualifying under the property tax assistance program in subsection (1)(c) is taxed at the rate provided in subsection (2)(a) of its taxable market value multiplied by a percentage figure based on income and determined from the following table:

Income Single Person Head of Household	Income Married Couple	Percentage Multiplier
$0 - $ 6,000	$0 - $8,000	20%
$6,001 - $9,200	$8,001 - $14,000	50%
$9,201 - $15,000	$14,001 - $20,000	70%

(ii) The income levels contained in the table in subsection (2)(b)(i) must be adjusted for inflation annually by the department. The adjustment to the income levels is determined by:

(A) multiplying the appropriate dollar amount from the table in subsection (2)(b)(i) by the ratio of the PCE for the second quarter of the year prior to the year of application to the PCE for the second quarter of 1995; and

(B) rounding the product thus obtained to the nearest whole dollar amount.

(iii) "PCE" means the implicit price deflator for personal consumption expenditures as published quarterly in the Survey of Current Business by the bureau of economic analysis of the U.S. department of commerce.

(c) Property described in subsection (1)(d) is taxed at one-half the taxable percentage rate established in subsection (2)(a).

(3) Within the meaning of comparable property, as defined in 15-1-101, property assessed as commercial property is comparable only to other property assessed as commercial property and property assessed as other than commercial property is comparable only to other property assessed as other than commercial property."

{*Internal References to 15-6-134:*

5-2-301	*15-2-301*	*15-6-133*	*15-6-156*
15-6-191	*15-6-193*	*15-6-193*	*15-6-201*
15-6-201	*15-6-211*	*15-6-211*	*15-7-103*
15-8-111	*15-8-111*	*15-16-102*	*15-24-3001* }

Section 2. Section 15-6-138, MCA, is amended to read:

"15-6-138. (Temporary) Class eight property -- description -- taxable percentage. (1) Class eight property includes:

(a) all agricultural implements and equipment that are not exempt under ~~15-6-201(1)(bb)~~ 15-6-207 or 15-6-220;

(b) all mining machinery, fixtures, equipment, tools that are not exempt under ~~15-6-201(1)(r)~~ [section 6], and supplies except those included in class five;

(c) all oil and gas production machinery, fixtures, equipment, including pumping units, oil field storage tanks, water storage tanks, water disposal injection pumps, gas compressor and dehydrator units, communication towers, gas metering shacks, treaters, gas separators, water flood units, gas boosters, and similar equipment that is skidable, portable, or movable, tools that are not exempt under ~~15-6-201(1)(r)~~ [section 6], and supplies except those included in class five;

(d) all manufacturing machinery, fixtures, equipment, tools, except a certain value of hand-held tools and personal property related to space vehicles, ethanol manufacturing, and industrial dairies and milk processors as provided in ~~15-6-201~~ 15-6-220, and supplies except those included in class five;

(e) all goods and equipment that are intended for rent or lease, except goods and equipment that are specifically included and taxed in another class;

(f) special mobile equipment as defined in 61-1-104;

(g) furniture, fixtures, and equipment, except that specifically included in another class, used in commercial establishments as defined in this section;

(h) x-ray and medical and dental equipment;

(i) citizens' band radios and mobile telephones;

(j) radio and television broadcasting and transmitting equipment;

(k) cable television systems;

(l) coal and ore haulers;

(m) theater projectors and sound equipment; and

(n) all other property that is not included in any other class in this part, except that property that is subject to a fee in lieu of a property tax.

(2) As used in this section, "coal and ore haulers" means nonhighway vehicles that exceed 18,000 pounds per axle and that are primarily designed and used to transport coal, ore, or other earthen material in a mining or quarrying environment.

(3) "Commercial establishment" includes any hotel; motel; office; petroleum marketing station; or service, wholesale, retail, or food-handling business.

(4) Class eight property is taxed at 3% of its market value.

(5) (a) If, in any year beginning with tax year 2004, the percentage growth in inflation-adjusted Montana wage and salary income is at least 2.85% from the year prior to the base year, then the tax rate for class eight property will be reduced by 1% each year until the tax rate reaches zero.

(b) For each tax year, the base year is the year 3 years before the applicable tax year and the target year is the year 2 years before the applicable tax year.

(c) The department shall calculate the percentage growth in subsection (5)(a) by October 30 of each target year by using the formula (W/CPI) - 1, where:

(i) W is the Montana wage and salary income for the calendar base year divided by the Montana wage and salary income for the calendar year prior to the base year; and

(ii) CPI is the consumer price index for the calendar base year used in subsection (5)(c)(i) divided by the consumer price index for the year prior to the most current calendar year prior to the base year used in subsection (5)(c)(i).

(d) For purposes of determining the percentage growth in subsection (5)(a), the department shall use the bureau of economic analysis of the United States department of commerce Montana wage and salary disbursements, fall SA07 (state annual) for the target year wage and salary data series.

(e) Inflation must be measured by the consumer price index, U.S. city average, all urban consumers (CPI-U), using the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of labor.

(6) The class eight property of a person or business entity that owns an aggregate of $5,000 or less in market value of class eight property is exempt from taxation. (Repealed on occurrence of contingency--secs. 27(2), 31(4), Ch. 285, L. 1999.)"

{*Internal References to 15-6-138:*

15-1-111	*15-1-112*	*15-1-112*	*15-1-112*
15-1-112	*15-1-112*	*15-1-112*	*15-1-112*
15-1-112	*15-1-112*	*15-1-112*	*15-1-112*
15-1-112	*15-1-112*	*15-1-112*	*15-1-112*
15-1-112	*15-1-112*	*15-1-112*	*15-6-156*
15-6-201	*15-24-3001*	*76-6-109* }	

Section 3. Section 15-6-201, MCA, is amended to read:

"15-6-201. ~~Exempt~~ <u>Governmental, charitable, and educational</u> categories <u>-- exempt property</u>. (1) The following categories of property are exempt from taxation:

(a) except as provided in 15-24-1203, the property of:

(i) the United States, except:

(A) if congress passes legislation that allows the state to tax property owned by the federal government or an agency created by congress; or

(B) as provided in 15-24-1103;

(ii) the state, counties, cities, towns, and school districts;

(iii) irrigation districts organized under the laws of Montana and not operating for profit;

(iv) municipal corporations;

(v) public libraries; and

(vi) rural fire districts and other entities providing fire protection under Title 7, chapter 33;

(b) buildings, with land that they occupy and furnishings in the buildings, that are owned by a church and used for actual religious worship or for residences of the clergy, together with adjacent land reasonably necessary for convenient use of the buildings;

(c) property used exclusively for agricultural and horticultural societies, for educational purposes, and for nonprofit health care facilities, as defined in 50-5-101, licensed by the department of public health and human services and organized under Title 35, chapter 2 or 3. A health care facility that is not licensed by the department of public health and human services and organized under Title 35, chapter 2 or 3, is not exempt.

(d) property that is:

(i) owned and held by an association or corporation organized under Title 35, chapter 2, 3, 20, or 21;

(ii) devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and

(iii) not maintained and operated for private or corporate profit;

(e) subject to subsection (2), property that is owned or property that is leased from a federal, state, or local governmental entity by institutions of purely public charity if the property is directly used for purely public charitable purposes;

(f) evidence of debt secured by mortgages of record upon real or personal property in the state of Montana;

(g) property of public museums, art galleries, zoos, and observatories that are not used or held for private or corporate profit;

~~(h) all household goods and furniture, including but not limited to clocks, musical instruments, sewing machines, and wearing apparel of members of the family, used by the owner for personal and domestic purposes or for furnishing or equipping the family residence;~~

~~(i) truck canopy covers or toppers and campers;~~

~~(j) a bicycle, as defined in 61-1-123, used by the owner~~

~~for personal transportation purposes;~~

~~(k) motor homes;~~

~~(l) all watercraft;~~

~~(m)~~(h) motor vehicles, land, fixtures, buildings, and improvements owned by a cooperative association or nonprofit corporation organized to furnish potable water to its members or customers for uses other than the irrigation of agricultural land;

~~(n)~~(i) the right of entry that is a property right reserved in land or received by mesne conveyance (exclusive of leasehold interests), devise, or succession to enter land with a surface title that is held by another to explore, prospect, or dig for oil, gas, coal, or minerals;

~~(o)~~(j) (i) property that is owned and used by a corporation or association organized and operated exclusively for the care of persons with developmental disabilities, persons with mental illness, or persons with physical or mental impairments that constitute or result in substantial impediments to employment and that is not operated for gain or profit; and

(ii) property that is owned and used by an organization owning and operating facilities that are for the care of the retired, aged, or chronically ill and that are not operated for gain or profit;

~~(p) all farm buildings with a market value of less than $500 and all agricultural implements and machinery with a market value of less than $100;~~

~~(q)~~(k) property owned by a nonprofit corporation that is organized to provide facilities primarily for training and practice for or competition in international sports and athletic events and that is not held or used for private or corporate gain or profit. For purposes of this subsection ~~(1)(q)~~ (1)(k), "nonprofit corporation" means an organization that is exempt from taxation under section 501(c) of the Internal Revenue Code and incorporated and admitted under the Montana Nonprofit Corporation Act.

~~(r) (i) the first $15,000 or less of market value of tools owned by the taxpayer that are customarily hand-held and that are used to:~~

~~(A) construct, repair, and maintain improvements to real property; or~~

~~(B) repair and maintain machinery, equipment, appliances, or other personal property;~~

~~(ii) space vehicles and all machinery, fixtures, equipment, and tools used in the design, manufacture, launch, repair, and maintenance of space vehicles that are owned by businesses engaged in manufacturing and launching space vehicles in the state or that are owned by a contractor or subcontractor of that business and that are directly used for space vehicle design, manufacture, launch, repair, and maintenance;~~

~~(s) harness, saddlery, and other tack equipment;~~

~~(t) a title plant owned by a title insurer or a title insurance producer, as those terms are defined in 33-25-105;~~

~~(u) timber as defined in 15-44-102;~~

~~(v) all trailers as defined in 61-1-111, semitrailers as~~

~~defined in 61-1-112, pole trailers as defined in 61-1-114, and travel trailers as defined in 61-1-131;~~

~~(w) all vehicles registered under 61-3-456;~~

~~(x) (i) buses, trucks having a manufacturer's rated capacity of more than 1 ton, and truck tractors, including buses, trucks, and truck tractors apportioned under Title 61, chapter 3, part 7; and~~

~~(ii) personal property that is attached to a bus, truck, or truck tractor that is exempt under subsection (1)(x)(i);~~

~~(y) motorcycles and quadricycles;~~

~~(z) the following percentage of the market value of residential property described in 15-6-134(1)(e) and (1)(f):~~

~~(i) 31% for tax year 2003;~~

~~(ii) 31.4% for tax year 2004;~~

~~(iii) 32% for tax year 2005;~~

~~(iv) 32.6% for tax year 2006;~~

~~(v) 33.2% for tax year 2007;~~

~~(vi) 34% for tax year 2008 and succeeding tax years;~~

~~(aa) the following percentage of the market value of commercial property as described in 15-6-134(1)(g):~~

~~(i) 13% for tax year 2003;~~

~~(ii) 13.3% for tax year 2004;~~

~~(iii) 13.8% for tax year 2005;~~

~~(iv) 14.2% for tax year 2006;~~

~~(v) 14.6% for tax year 2007;~~

~~(vi) 15% for tax year 2008 and succeeding tax years;~~

~~(bb) personal property used by an industrial dairy or an~~

~~industrial milk processor and dairy livestock used by an industrial dairy;~~

~~(cc) items of personal property intended for rent or lease in the ordinary course of business if each item of personal property satisfies all of the following:~~

~~(i) the acquired cost of the personal property is less than $15,000;~~

~~(ii) the personal property is owned by a business whose primary business income is from rental or lease of personal property to individuals and no one customer of the business accounts for more than 10% of the total rentals or leases during a calendar year; and~~

~~(iii) the lease of the personal property is generally on an hourly, daily, or weekly basis;~~

~~(dd) all manufacturing machinery, fixtures, equipment, and tools used for the production of ethanol from grain during the course of the construction of an ethanol manufacturing facility and for 10 years after completion of construction of the manufacturing facility;~~

~~(ee) light vehicles as defined in 61-1-139; and~~

~~(ff) the following property, except property included in 15-6-135, 15-6-137, 15-6-141, 15-6-145, and 15-6-156, if the tax rate in 15-6-138 reaches zero:~~

~~(i) all agricultural implements and equipment;~~

~~(ii) all mining machinery, fixtures, equipment, tools, and supplies;~~

~~(iii) all oil and gas production machinery, fixtures,~~

~~equipment, including pumping units, oil field storage tanks, water storage tanks, water disposal injection pumps, gas compressor and dehydrator units, communication towers, gas metering shacks, treaters, gas separators, water flood units, gas boosters, and similar equipment that is skidable, portable, or movable, tools, and supplies;~~

~~(iv) all manufacturing machinery, fixtures, equipment, tools, and supplies;~~

~~(v) all goods and equipment that are intended for rent or lease;~~

~~(vi) special mobile equipment as defined in 61-1-104;~~

~~(vii) furniture, fixtures, and equipment;~~

~~(viii) x-ray and medical and dental equipment;~~

~~(ix) citizens' band radios and mobile telephones;~~

~~(x) radio and television broadcasting and transmitting equipment;~~

~~(xi) cable television systems;~~

~~(xii) coal and ore haulers; and~~

~~(xiii) theater projectors and sound equipment.~~

(2) (a) For the purposes of subsection (1)(e):

(i) the term "institutions of purely public charity" includes any organization that meets the following requirements:

(A) The organization offers its charitable goods or services to persons without regard to race, religion, creed, or gender and qualifies as a tax-exempt organization under the provisions of section 501(c)(3), Internal Revenue Code, as amended.

(B) The organization accomplishes its activities through absolute gratuity or grants. However, the organization may solicit or raise funds by the sale of merchandise, memberships, or tickets to public performances or entertainment or by other similar types of fundraising activities.

(ii) agricultural property owned by a purely public charity is not exempt if the agricultural property is used by the charity to produce unrelated business taxable income as that term is defined in section 512 of the Internal Revenue Code, 26 U.S.C. 512. A public charity claiming an exemption for agricultural property shall file annually with the department a copy of its federal tax return reporting any unrelated business taxable income received by the charity during the tax year, together with a statement indicating whether the exempt property was used to generate any unrelated business taxable income.

(b) For the purposes of subsection (1)(g), the term "public museums, art galleries, zoos, and observatories" means governmental entities or nonprofit organizations whose principal purpose is to hold property for public display or for use as a museum, art gallery, zoo, or observatory. The exempt property includes all real and personal property reasonably necessary for use in connection with the public display or observatory use. Unless the property is leased for a profit to a governmental entity or nonprofit organization by an individual or for-profit organization, real and personal property owned by other persons is exempt if it is:

(i) actually used by the governmental entity or nonprofit organization as a part of its public display;

(ii) held for future display; or

(iii) used to house or store a public display.

~~(3) For the purposes of subsection (1)(bb):~~

~~(a) "industrial dairy" means a large-scale dairy operation with 1,000 or more milking cows and includes the dairy livestock and integral machinery and equipment that the dairy uses to produce milk and milk products solely for export from the state, either directly by the dairy or after the milk or milk product has been further processed by an industrial milk processor. After export, any unprocessed milk must be further processed into other dairy products.~~

~~(b) "industrial milk processor" means a facility and integral machinery used solely to process milk into milk products for export from the state.~~

~~(4) The following portions of the appraised value of a capital investment in a recognized nonfossil form of energy generation or low emission wood or biomass combustion devices, as defined in 15-32-102, are exempt from taxation for a period of 10 years following installation of the property:~~

~~(a) $20,000 in the case of a single-family residential dwelling;~~

~~(b) $100,000 in the case of a multifamily residential dwelling or a nonresidential structure.~~"

{*Internal References to 15-6-201:*

15-6-134	*15-6-134*	*15-6-134*	*15-6-138*
15-6-138	*15-6-138*	*15-6-138*	*15-7-102*
15-8-111	*15-32-405*	*61-3-560*	*61-10-214* }

NEW SECTION. **Section 4. Property subject to fee in lieu of taxes.** The following property that subject to a fee in lieu of taxes is exempt from property taxation:

(1) truck canopy covers or toppers and campers;

(2) motor homes;

(3) all watercraft;

(4) all trailers as defined in 61-1-111, semitrailers as defined in 61-1-112, pole trailers as defined in 61-1-114, and travel trailers as defined in 61-1-131;

(5) all vehicles registered under 61-3-456;

(6) (a) buses, trucks having a manufacturer's rated capacity of more than 1 ton, and truck tractors, including buses, trucks, and truck tractors apportioned under Title 61, chapter 3, part 7; and

(b) personal property that is attached to a bus, truck, or truck tractor that is exempt under subsection (6)(a);

(7) motorcycles and quadricycles; and

(8) light vehicles as defined in 61-1-139.

NEW SECTION. **Section 5. Residential and commercial improvements -- percentage of value exempt.** (1) The following percentage of the market value of residential property described in 15-6-134(1)(e) and (1)(f) is exempt from property taxation:

(a) 31% for tax year 2003;

(b) 31.4% for tax year 2004;

(c) 32% for tax year 2005;

(d) 32.6% for tax year 2006;

(e) 33.2% for tax year 2007;

(f) 34% for tax year 2008 and succeeding tax years.

(2) The following percentage of the market value of commercial property as described in 15-6-134(1)(g) is exempt from property taxation:

(a) 13% for tax year 2003;

(b) 13.3% for tax year 2004;

(c) 13.8% for tax year 2005;

(d) 14.2% for tax year 2006;

(e) 14.6% for tax year 2007;

(f) 15% for tax year 2008 and succeeding tax years.

NEW SECTION. **Section 6. Personal property exemptions.** The following categories of property are exempt from taxation:

(1) harness, saddlery, and other tack equipment;

(2) the first $15,000 or less of market value of tools owned by the taxpayer that are customarily hand-held and that are used to:

(a) construct, repair, and maintain improvements to real property; or

(b) repair and maintain machinery, equipment, appliances, or other personal property;

(3) all household goods and furniture, including but not limited to clocks, musical instruments, sewing machines, and wearing apparel of members of the family, used by the owner for personal and domestic purposes or for furnishing or equipping the

family residence;

(4) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;

(7) items of personal property intended for rent or lease in the ordinary course of business if each item of personal property satisfies all of the following:

(a) the acquired cost of the personal property is less than $15,000;

(b) the personal property is owned by a business whose primary business income is from rental or lease of personal property to individuals and no one customer of the business accounts for more than 10% of the total rentals or leases during a calendar year; and

(c) the lease of the personal property is generally on an hourly, daily, or weekly basis;

(8) space vehicles and all machinery, fixtures, equipment, and tools used in the design, manufacture, launch, repair, and maintenance of space vehicles that are owned by businesses engaged in manufacturing and launching space vehicles in the state or that are owned by a contractor or subcontractor of that business and that are directly used for space vehicle design, manufacture, launch, repair, and maintenance;

(9) a title plant owned by a title insurer or a title insurance producer, as those terms are defined in 33-25-105; and

(10) the following property, except property included in 15-6-135, 15-6-137, 15-6-141, 15-6-145, and 15-6-156, if the tax rate in 15-6-138 reaches zero:

(a) all agricultural implements and equipment;

(b) all mining machinery, fixtures, equipment, tools, and supplies;

(c) all oil and gas production machinery, fixtures, equipment, including pumping units, oil field storage tanks, water storage tanks, water disposal injection pumps, gas compressor and dehydrator units, communication towers, gas metering shacks, treaters, gas separators, water flood units, gas boosters, and similar equipment that is skidable, portable, or movable, tools, and supplies;

(d) all manufacturing machinery, fixtures, equipment, tools, and supplies;

(e) all goods and equipment that are intended for rent or lease;

(f) special mobile equipment as defined in 61-1-104;

(g) furniture, fixtures, and equipment;

(h) x-ray and medical and dental equipment;

(i) citizens' band radios and mobile telephones;

(j) radio and television broadcasting and transmitting equipment;

(k) cable television systems;

(l) coal and ore haulers; and

(m) theater projectors and sound equipment.

NEW SECTION. **Section 7. Timber exemption.** Timber as defined in 15-44-102 is exempt from taxation.

Section 8. Section 15-6-204, MCA, is amended to read:

"15-6-204. ~~Moneys~~ Money and credits exemption. (1) ~~Moneys~~ Money and credits are exempt from taxation.

(2) ~~Moneys~~ Money and credits are, ~~hereby defined~~ for the ~~purpose~~ purposes of taxation, ~~as~~ all ~~moneys not constituting moneyed capital as hereinafter defined~~ money and all credits secured and unsecured, including all state, county, school district, and other municipal bonds, warrants, and securities, without any deduction or offset~~; provided, however, that credits as herein defined shall not embrace credits constituting moneyed capital as hereinafter defined or evidence of debt secured by mortgage of record upon real or personal property in the state of Montana~~."

{*Internal References to 15-6-204:*
20-15-403 x}

Section 9. Section 15-6-205, MCA, is amended to read:

"15-6-205. State water conservation projects exempt. All lands acquired and held by the department of natural resources and conservation or the state of Montana for use in connection with water conservation projects constructed or to be constructed under the laws of this state ~~shall be~~ are exempt from taxation, and ~~it shall be the duty of~~ the county treasurer ~~to~~ must cancel all taxes remaining unpaid against ~~said~~ the land for the year in which ~~same~~ the land is ~~so~~ acquired and for all previous years~~, provided that such~~. The taxes ~~shall~~ may be canceled only ~~in such cases as~~ if no tax certificates ~~shall~~ have issued or, if a tax certificate has issued, it was issued to the county and no assignment of ~~such~~ the certificate of sale has been made by ~~said~~ the county prior to the time when ~~said~~ the land was acquired by ~~said~~ the department."

{*Internal References to 15-6-205: None.*}

Section 10. Section 15-6-207, MCA, is amended to read:

"15-6-207. Agricultural products exemptions -- unused beet equipment -- low value building, implements, and machinery. (1) The following agricultural products are exempt from taxation:

(a) all unprocessed agricultural products on the farm or in storage and owned by the producer;

(b) all producer-held grain in storage;

(c) all unprocessed agricultural products;

(d) all livestock and the unprocessed products of livestock;

(e) poultry and the unprocessed products of poultry;

(f) bees and the unprocessed product of bees; and

(g) biological control insects.

(2) Any beet digger, beet topper, beet defoliator, beet thinner, beet cultivator, beet planter, or beet top saver designed exclusively to plant, cultivate, and harvest sugar beets is exempt from taxation if the implement has not been used to plant, cultivate, or harvest sugar beets for the 2 years immediately preceding the current assessment date and there are no available sugar beet contracts in the sugar beet grower's marketing area.

(3) All farm buildings with a market value of less than $500 and all agricultural implements and machinery with a market value of less than $100 are exempt from taxation.

(4) As provided in [section 6], all agricultural implements and equipment are exemption from taxation if the tax rate in 15-6-138 reaches zero."

{*Internal References to 15-6-207: None.*}

Section 11. Section 15-6-208, MCA, is amended to read:

"15-6-208. Mineral exemptions -- small coal or metal mines producer -- travertine. (1) One-half of the contract sales price of coal sold by a coal producer who extracts less than 50,000 tons of coal in a calendar year is exempt from taxation.

(2) Metal mines producing less than 20,000 tons of ore in a taxable year are exempt from property taxation on one-half of the merchantable value.

(3) The first 1,000 tons of travertine and building stone extracted from a mine in a tax year are exempt from property taxation."

{*Internal References to 15-6-208: None.*}

Section 12. Section 15-6-220, MCA, is amended to read:

"15-6-220. Exemption for agricultural processing facilities -- canola facilities ~~and~~ -- malting barley facilities -- . (1) The following property is exempt from property taxation:

(a) machinery and equipment used in a canola seed oil processing facility; ~~and~~

(b) machinery and equipment used in a malting barley facility;

(c) personal property used by an industrial dairy or an industrial milk processor and dairy livestock used by an industrial dairy; and

(d) all manufacturing machinery, fixtures, equipment, and tools used for the production of ethanol from grain during the course of the construction of an ethanol manufacturing facility and for 10 years after completion of construction of the manufacturing facility.

(2) "Canola seed oil processing facility" means a facility that:

(a) extracts oil from canola seeds, refines the crude oil to produce edible oil, formulates and packages the edible oil into food products, or engages in any one or more of those processes; and

(b) employs at least 15 employees in a full-time capacity.

(3) "Industrial dairy" means a large-scale dairy operation with 1,000 or more milking cows and includes the dairy livestock and integral machinery and equipment that the dairy uses to produce milk and milk products solely for export from the state, either directly by the dairy or after the milk or milk product has been further processed by an industrial milk processor. After export, any unprocessed milk must be further processed into other dairy products.

(4) "Industrial milk processor" means a facility and integral machinery used solely to process milk into milk products

for export from the state.

~~(3)~~(5) "Malting barley facility" means a facility and integral machinery and equipment used principally to malt malting barley and includes machinery and equipment to mix, blend, transport, transfer, or process the barley and malt at the facility.

"

{*Internal References to 15-6-220: None.*}

Section 13. Section 15-6-225, MCA, is amended to read:

"15-6-225. ~~Energy~~ Small electrical generation equipment exemption. (1) (a) Machinery and equipment used in a qualifying generation facility that has a nameplate capacity of less than 1 megawatt of electrical energy is exempt from taxation for 5 years after the generation of electricity begins.

(b) To qualify for the exemption under this section, the generation facility must be powered by an alternative renewable energy source.

(2) For the purposes of this section:

(a) "alternative renewable energy source" means a form of energy or matter that is capable of being converted into forms of energy useful to mankind, including electricity, and the technology necessary to make this conversion when the source is not exhaustible in terms of this planet and when the source or technology is not in general commercial use. The term includes but is not limited to:

(i) solar energy;

(ii) wind energy;

(iii) geothermal energy;

(iv) conversion of biomass;

(v) fuel cells that do not require hydrocarbon fuel;

(vi) small hydroelectric generators producing less than 1 megawatt; or

(vii) methane from solid waste.

(b) "generation facility" includes any combination of a generator or generators, associated prime movers, and other associated machinery and equipment that are normally operated together to produce electric power, but does not include the owner's business improvements and personal property."

{*Internal References to 15-6-225:*

15-6-156	*15-24-1401*	*15-31-124*	*15-32-402*
17-6-403	*30-16-103*	*80-12-201*	*90-5-101*
90-8-104 }			

NEW SECTION. **Section 14. Nonfossil energy generation.** The following portions of the appraised value of a capital investment in a recognized nonfossil form of energy generation or low emission wood or biomass combustion devices, as defined in 15-32-102, are exempt from taxation for a period of 10 years following installation of the property:

(1) $20,000 in the case of a single-family residential dwelling;

(2) $100,000 in the case of a multifamily residential dwelling or a nonresidential structure.

Section 15. Section 15-7-102, MCA, is amended to read:

"15-7-102. Notice of classification and appraisal to owners -- appeals. (1) (a) Except as provided in 15-7-138, the department shall mail to each owner or purchaser under contract for deed a notice of the classification of the land owned or being purchased and the appraisal of the improvements on the land only if one or more of the following changes pertaining to the land or improvements have been made since the last notice:

(i) change in ownership;

(ii) change in classification;

(iii) except as provided in subsection (1)(b), change in valuation; or

(iv) addition or subtraction of personal property affixed to the land.

(b) After the first year, the department is not required to mail the notice provided for in subsection (1)(a)(iii) if the change in valuation is the result of an annual incremental change in valuation caused by the phasing in of a reappraisal under 15-7-111 or the application of the exemptions under ~~15-6-201(1)(z) and (1)(aa)~~ [section 5] or caused by an incremental change in the tax rate.

(c) The notice must include the following for the taxpayer's informational purposes:

(i) the total amount of mills levied against the property in the prior year; and

(ii) a statement that the notice is not a tax bill.

(d) Any misinformation provided in the information required by subsection (1)(c) does not affect the validity of the notice and may not be used as a basis for a challenge of the legality of the notice.

(2) (a) Except as provided in subsection (2)(c), the department shall assign each assessment to the correct owner or purchaser under contract for deed and mail the notice of classification and appraisal on a standardized form, adopted by the department, containing sufficient information in a comprehensible manner designed to fully inform the taxpayer as to the classification and appraisal of the property and of changes over the prior tax year.

(b) The notice must advise the taxpayer that in order to be eligible for a refund of taxes from an appeal of the classification or appraisal, the taxpayer is required to pay the taxes under protest as provided in 15-1-402.

(c) The department is not required to mail the notice of classification and appraisal to a new owner or purchaser under contract for deed unless the department has received the transfer certificate from the clerk and recorder as provided in 15-7-304 and has processed the certificate before the notices required by subsection (2)(a) are mailed. The department shall notify the county tax appeal board of the date of the mailing.

(3) If the owner of any land and improvements is dissatisfied with the appraisal as it reflects the market value of the property as determined by the department or with the classification of the land or improvements, the owner may request an assessment review by submitting an objection in writing to the

department, on forms provided by the department for that purpose, within 30 days after receiving the notice of classification and appraisal from the department. The review must be conducted informally and is not subject to the contested case procedures of the Montana Administrative Procedure Act. As a part of the review, the department may consider the actual selling price of the property, independent appraisals of the property, and other relevant information presented by the taxpayer in support of the taxpayer's opinion as to the market value of the property. The department shall give reasonable notice to the taxpayer of the time and place of the review. After the review, the department shall determine the correct appraisal and classification of the land or improvements and notify the taxpayer of its determination. In the notification, the department shall state its reasons for revising the classification or appraisal. When the proper appraisal and classification have been determined, the land must be classified and the improvements appraised in the manner ordered by the department.

(4) Whether a review as provided in subsection (3) is held or not, the department may not adjust an appraisal or classification upon the taxpayer's objection unless:

(a) the taxpayer has submitted an objection in writing; and

(b) the department has stated its reason in writing for making the adjustment.

(5) A taxpayer's written objection to a classification or appraisal and the department's notification to the taxpayer of its determination and the reason for that determination are

public records. The department shall make the records available for inspection during regular office hours.

(6) If any property owner feels aggrieved by the classification or appraisal made by the department after the review provided for in subsection (3), the property owner has the right to first appeal to the county tax appeal board and then to the state tax appeal board, whose findings are final subject to the right of review in the courts. The appeal to the county tax appeal board must be filed within 30 days after notice of the department's determination is mailed to the taxpayer. A county tax appeal board or the state tax appeal board may consider the actual selling price of the property, independent appraisals of the property, and other relevant information presented by the taxpayer as evidence of the market value of the property. If the county tax appeal board or the state tax appeal board determines that an adjustment should be made, the department shall adjust the base value of the property in accordance with the board's order."

{*Internal References to 15-7-102:*
15-7-103   15-7-138   15-7-138   15-7-208*
15-15-102   15-15-103 }

Section 16. Section 15-8-111, MCA, is amended to read:

"15-8-111. Assessment -- market value standard -- exceptions. (1) All taxable property must be assessed at 100% of its market value except as otherwise provided.

(2) (a) Market value is the value at which property would change hands between a willing buyer and a willing seller,

neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

(b) If the department uses construction cost as one approximation of market value, the department shall fully consider reduction in value caused by depreciation, whether through physical depreciation, functional obsolescence, or economic obsolescence.

(c) If the department uses the capitalization of net income method as one approximation of market value and sufficient, relevant information on comparable sales and construction cost exists, the department shall rely upon the two methods that provide a similar market value as the better indicators of market value.

(d) Except as provided in subsection (3), the market value of special mobile equipment and agricultural tools, implements, and machinery is the average wholesale value shown in national appraisal guides and manuals or the value before reconditioning and profit margin. The department shall prepare valuation schedules showing the average wholesale value when a national appraisal guide does not exist.

(3) The department may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property, except:

(a) the wholesale value for agricultural implements and machinery is the average wholesale value category as shown in Guides 2000, Northwest Region Official Guide, published by the North American equipment dealers association, St. Louis, Missouri. If the guide or the average wholesale value category is unavailable, the department shall use a comparable publication or wholesale value category.

(b) for agricultural implements and machinery not listed in an official guide, the department shall prepare a supplemental manual in which the values reflect the same depreciation as those found in the official guide; and

(c) as otherwise authorized in Titles 15 and 61.

(4) For purposes of taxation, assessed value is the same as appraised value.

(5) The taxable value for all property is the percentage of market or assessed value established for each class of property.

(6) The assessed value of properties in 15-6-131 through 15-6-134, 15-6-143, and 15-6-145 is as follows:

(a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after deducting the expenses specified and allowed by 15-23-503 or, if applicable, as provided in 15-23-515, 15-23-516, 15-23-517, or 15-23-518.

(b) Properties in 15-6-132, under class two, are assessed at 100% of the annual gross proceeds.

(c) Properties in 15-6-133, under class three, are assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

(d) Properties in 15-6-134, under class four, are assessed at the applicable percentage of market value minus any portion of market value that is exempt from taxation under ~~15-6-201(1)(z)~~

~~and (1)(aa)~~ [section 5].

(e) Properties in 15-6-143, under class ten, are assessed at 100% of the forest productivity value of the land when valued as forest land.

(f) Railroad transportation properties in 15-6-145 are assessed based on the valuation formula described in 15-23-205.

(7) Land and the improvements on the land are separately assessed when any of the following conditions occur:

(a) ownership of the improvements is different from ownership of the land;

(b) the taxpayer makes a written request; or

(c) the land is outside an incorporated city or town."

{*Internal References to 15-8-111:*

2-9-211	*7-3-1321*	*7-7-107*	*7-7-2101*
7-7-2301	*7-7-4201*	*7-13-237*	*7-13-309*
7-13-4103	*7-14-236*	*7-14-2520*	*7-14-2524*
7-14-2524	*7-14-2524*	*7-14-2525*	*7-16-2327*
7-16-2433	*7-16-4104*	*7-31-107*	*7-33-2109*
7-33-2404	*7-34-2131*	*15-1-101*	*15-1-303*
15-8-104	*15-8-307*	*15-8-701*	*15-24-1102*
15-24-1103	*19-18-503*	*19-18-504*	*39-71-403*
85-9-103	*85-9-406* }		

Section 17. Section 15-32-405, MCA, is amended to read:

"15-32-405. Exclusion from other tax incentives. If a credit is claimed for an investment pursuant to this part, no other state energy or investment tax credit, including but not limited to the tax credits allowed by 15-31-124 and 15-31-125, may be claimed for the investment. Property tax reduction allowed by ~~15-6-201(4)~~ [section 14] may not be applied to a facility for which a credit is claimed pursuant to this part."

{*Internal References to 15-32-405: None.*}

Section 18. Section 61-3-560, MCA, is amended to read:

"61-3-560. Light vehicle registration fee -- exemptions -- 24-month registration. (1) Except as provided in subsections (2) and (3), there is a registration fee imposed on light vehicles. The registration fee is in addition to other annual registration fees.

(2) The following vehicles are exempt from the fee imposed in subsection (1):

(a) light vehicles that meet the description of property exempt from taxation under ~~15-6-201(1)(a), (1)(c) through (1)(e), (1)(g), (1)(m), (1)(o), (1)(q), or (1)(w)~~ [section 4], 15-6-203, or 15-6-215, except as provided in 61-3-520;

(b) a light vehicle owned by a person eligible for a waiver of registration fees under 61-3-460;

(c) a light vehicle registered under 61-3-456.

(3) A dealer for light vehicles is not required to pay the registration fee for light vehicles that constitute inventory of the dealership and that are reported under 61-3-501.

(4) The owner of a light vehicle subject to the provisions of 61-3-313 through 61-3-316 may register the light vehicle for a period not to exceed 24 months. The application for registration or reregistration must be accompanied by the registration fee and all other fees required in this chapter for each 12-month period of the 24-month period. However, the registration fees required under 61-3-321(1)(a) or (1)(b) paid at the time of registration

or reregistration apply for the entire registration period."

{*Internal References to 61-3-560:*

15-6-215	*15-8-202**	*15-24-301*	*15-30-121**
*15-30-121**	*15-50-207**	*20-9-331**	*20-9-333**
*20-9-360**	*61-3-303**	*61-3-303**	*61-3-303**
61-3-312	*61-3-315*	*61-3-315*	*61-3-315*
61-3-332	*61-3-332*	*61-3-456**	*61-3-506**
61-3-520	*61-3-537**	*61-3-537**	*61-3-537**
61-3-561	*61-3-561*	*61-3-701*	*61-3-736* }

Section 19. Section 61-10-214, MCA, is amended to read:

"61-10-214. Exemptions. (1) Motor vehicles operating exclusively for transportation of persons for hire within the limits of incorporated cities or towns and within 15 miles from the limits are exempt from this part.

(2) Motor vehicles brought or driven into Montana by a nonresident, migratory, bona fide agricultural worker temporarily employed in agricultural work in this state when those motor vehicles are used exclusively for transportation of agricultural workers are exempt from this part.

(3) Vehicles lawfully displaying a dealer's or wholesaler's plate as provided in 61-4-102 and 61-4-125 are exempt from this part for a period not to exceed 7 days when moving to or from a dealer's or wholesaler's place of business when unloaded or loaded with dealer's or wholesaler's property only or while being demonstrated in the course of the dealer's or wholesaler's business. Vehicles being demonstrated may not be leased, rented, or operated for compensation by the licensed dealer or wholesaler.

(4) Vehicles exempt from property tax under ~~15-6-201(1)(a),~~

~~(1)(c) through (1)(e), (1)(g), (1)(o), (1)(q), and (1)(v)~~ [section 4] are exempt from this part. The department of transportation may require documentation of tax-exempt status from the department of revenue before granting this exemption."

{*Internal References to 61-10-214: None.*}

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